
**KEY ANACON MINES
LIMITED**

ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, **1976**



KEY ANACON MINES LIMITED

(Incorporated under the laws of Ontario on May 4, 1948)

DIRECTORS

A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
DR. A. L. McALLISTER Fredericton, New Brunswick
L. McC. RITCHIE Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Ass't.-Secretary*

HEAD OFFICE

SUITE 1101, 21 KING ST. EAST Toronto, Ontario

EXECUTIVE OFFICE

GOLDEN BALL BUILDING Saint John, New Brunswick

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

THORNE RIDDELL & Co. Saint John, New Brunswick

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders
will be held on Tuesday, June 21, 1977
at 11:00 oclock in the forenoon (Toronto time)
in the Algonquin Room,
Royal York Hotel, Toronto, Ontario

KEY ANACON MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors submit herewith the annual report of the Corporation for the year ended December 31, 1976 which includes the audited financial statements of the Corporation for that period.

As in the past, operating costs (net) have been deferred and added to the deferred development expenditures on the Corporation's mining property near Bathurst, New Brunswick. Expenditures for 1976 totalled \$95,891 of which \$54,513 was directly applicable to the mining property. \$41,470 was spent in 1976 on further exploration compared with \$29,556 in the previous year. Exploration work was primarily geophysical work and some diamond drilling. This was carried out on additional claims previously staked in order to obtain further information respecting the geology of the area.

We continued to hold the Corporation's investment in 500,000 shares of Brunswick Mining and Smelting Corporation Limited (Brunswick) which had a market value of about \$2,750,000 at year end. Earnings of Brunswick have been reported at 22c per share for 1976 (36.7c for 1975) and dividends totalling 10c per share were paid by that company in 1976. In its annual report, Brunswick stated a three month strike at the mining division was a prime factor accounting for the reduced level of earnings.

Early in October, 1976, Mr. David H. Allen, a director of the Corporation since 1974, passed away. While, due to health problems, Mr. Allen's active participation in the affairs of Key Anacon was limited, his presence will be missed. You will note from the information circular Mr. J. E. Irving has offered to serve as a director in his place. Mr. Irving has an extensive business background and it is our view that he can make an effective contribution to the affairs of your Corporation.

On behalf of the Board,

L. McC. RITCHIE, President.

Saint John, N.B.
May 13, 1977

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Key Anacon Mines Limited

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1976 and the statements of deficit, deferred development and administrative expenditure and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

Saint John, New Brunswick
January 19, 1977

KEY ANACON MINES LIMITED

BALANCE SHEET — DECEMBER 31, 1976

ASSETS

Current	1976	1975
Marketable investments - (note 2)	\$ 8,700	\$ 16,123
Prepaid expenses	1,256	1,003
	<u>9,956</u>	<u>17,126</u>
Investments in Other Mining Companies (note 3)		
Brunswick Mining and Smelting Corporation Limited	1,752,530	1,752,530
Chibex Limited	1	1
	<u>1,752,531</u>	<u>1,752,531</u>
Fixed Assets and Deferred Expenditures		
Mining properties	66,341	66,341
Land, buildings, plant and equipment	466,895	466,895
Deferred development and administrative expenditures (note 4)	3,847,020	3,751,129
	<u>4,380,256</u>	<u>4,284,365</u>
	<u>\$ 6,142,743</u>	<u>\$ 6,054,022</u>

LIABILITIES

Current		
Bank overdraft	\$ 3,682	\$ 3,992
Accounts payable and accrued liabilities	101,420	58,343
	<u>105,102</u>	<u>62,335</u>
Other (note 5)		
Bank loan	<u>716,500</u>	<u>675,500</u>

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized		
10,000,000 Common shares, par value 20 cents per share		
Issued		
8,166,157 Common shares	1,633,231	1,633,231
Contributed Surplus, premium on issue of common shares	<u>4,462,308</u>	<u>4,462,308</u>
	6,095,539	6,095,539
Deficit	<u>774,398</u>	<u>779,352</u>
	<u>5,321,141</u>	<u>5,316,187</u>
	<u>\$ 6,142,743</u>	<u>\$ 6,054,022</u>

Approved by the Board

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

KEY ANACON MINES LIMITED YEAR ENDED DECEMBER 31, 1976

STATEMENT OF DEFICIT

	1976	1975
Deficit at beginning of year	\$ 779,352	\$ 642,514
Gain from sale of investments previously written off	<u>12,377</u>	<u>—</u>
Provision for loss in value of marketable investments	766,975	642,514
Write down of investment in Chibex debenture units	7,423	—
	<u>—</u>	<u>136,838</u>
Deficit at End of Year	<u>\$ 774,398</u>	<u>\$ 779,352</u>

STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

	Balance at beginning of year	Additions	Balance at end of year
Development expenses	\$ 2,301,860	\$ 54,513	\$ 2,356,373
Administrative expenses	<u>1,449,269</u>	<u>41,378</u>	<u>1,490,647</u>
	<u>\$ 3,751,129</u>	<u>\$ 95,891</u>	<u>\$ 3,847,020</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Working Capital Derived From	1976	1975
Proceeds from sale of shares of O'Brien Gold Mines Limited	\$ 12,377	\$ —
Bank borrowings	<u>41,000</u>	<u>20,500</u>
	<u>53,377</u>	<u>20,500</u>
Working Capital Applied To		
Development and administrative expenditures	95,891	65,853
Provision for loss in value of marketable investments	<u>7,423</u>	<u>—</u>
	<u>103,314</u>	<u>65,853</u>
Decrease in Working Capital Position	49,937	45,353
Working Capital (Deficiency) at Beginning of Year	<u>(45,209)</u>	<u>144</u>
Working Capital Deficiency at End of Year	<u>\$ 95,146</u>	<u>\$ 45,209</u>

NOTE — The bank loan has not been included in the calculation of working capital deficiency (note 5).

KEY ANACON MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1976

1. ACCOUNTING POLICIES

(a) Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition. No depreciation has been provided on the fixed assets as the company is presently exploring and developing mining claims and all expenses are deferred per note 4.

(b) Marketable investments

Marketable investments included in current assets are carried at the lower of cost of acquisition or the current quoted value.

2. MARKETABLE INVESTMENTS

	1976	1975
Cost of acquisition	\$ 16,123	\$ 16,123
Provision for loss in value	7,423	—
	<u>\$ 8,700</u>	<u>\$ 16,123</u>

Quoted market value at December 31, 1976 \$8,700 (1975: \$8,700)

3. INVESTMENTS IN OTHER MINING COMPANIES

The Corporation's investment in Brunswick Mining and Smelting Corporation Limited consists of 500,000 common shares carried at cost, less amounts written down in prior years — quoted market value 1976, \$2,750,000; 1975, \$1,900,000.

At December 31, 1976 and 1975, the Corporation owned 172,952 common shares and \$123,000 9% convertible debentures due June 30, 1978 of Chibex Limited. 150,009 of the common shares were held in escrow. During 1975, Chibex Limited terminated its mining operations and at December 31, 1976 and 1975 there was no quoted value for its securities. Accordingly, the Corporation's investment in Chibex Limited was written down to the value of \$1 in 1975 as shown on the balance sheet.


At December 31, 1976, the Corporation owned 5,429 shares of O'Brien Gold Mines Limited which were held in escrow. These shares are the balance out of 18,000 shares of O'Brien allocated to the Corporation in 1975 on distribution of the assets of Hewbet Mines Limited. 12,571 O'Brien shares were released from escrow in 1976 and sold. The cost of the O'Brien shares is deemed to be the cost of the mining properties originally transferred to Hewbet, which cost has been written off in prior years. As the balance of the O'Brien shares are in escrow, their market value is not determinable.

4. DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

Development and administrative expenditures amounting to \$3,847,020 at December 31, 1976 have been deferred with the intention they be amortized by charges against income from future mining operations. Realization of this income is dependent on the known ore body, and the additional reserves which may be developed in the future, becoming economic within the framework of metallurgical recoveries, metal prices and other operating costs.

5. OTHER LIABILITIES

The bank loan, payable on demand, is secured by a pledge of shares of Brunswick Mining and Smelting Corporation Limited. It is shown on these financial statements as a non-current liability as the shares pledged against it are shown as a non-current asset.



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**KEY ANACON MINES
LIMITED**

**INTERIM REPORT
TO SHAREHOLDERS**

Six months ended June 30, 1976



KEY ANACON MINES LIMITED

P. O. Box 937, Saint John, N. B.
E2L 4E3

INTERIM REPORT TO SHAREHOLDERS

Six Months Ended June 30, 1976

	1976	1975
STATEMENT OF SOURCE AND USE OF FUNDS (Subject to audit)		
Source:		
From bank loan	\$ 14,000	\$ 5,000
Use of Funds:		
Development and administrative expenses	26,155	15,355
Exploration	14,412	10,460
	<u>40,567</u>	<u>25,815</u>
Decrease in working capital	(26,567)	(20,815)
Working capital (deficiency) at beginning of year (excluding term bank loan)	(45,209)	144
Working capital (deficiency) at end of period (excluding term bank loan)	<u>\$ (71,776)</u>	<u>\$ (20,671)</u>
STATEMENT OF MARKETABLE SECURITIES EXCLUDED FROM CURRENT ASSETS		
500,000 shs. Brunswick Mining and Smelting Corp. Ltd. — at book value	<u>\$ 1,752,530</u>	<u>\$ 1,752,530</u>
Quoted market value at June 30	<u>\$ 2,625,000</u>	<u>\$ 1,950,000</u>

In June, 1976, Key Anacon again received a dividend of 5c per share on its holding of Brunswick Mining and Smelting Corporation Limited for a total amount of \$25,000. This is the same amount as received in the prior year.

As described at the Corporation's annual shareholders' meeting, a further exploration program has been planned for 1976 and is now in progress.

Saint John, N.B.
July 13, 1976

L. McC. Ritchie,
President